

**Fatbeam, LLC Reply Comments in the E-Rate Reform Docket,  
WC Docket No. 13-184**

**Oct. 2013**

Fatbeam, a Northwest Competitive Access Provider of dark and lit Ethernet transport services in 3<sup>rd</sup> and 4<sup>th</sup> tier markets (typically those markets under 100,000 in population) founded in 2010, supports the Commissions' effort to reform the E-Rate program to ensure it can meet the broadband needs of schools and libraries today and in the future. Furthermore, Fatbeam actively participates in the E-Rate program and has built over 300 miles of fiber optics in Washington, Idaho and Montana for 11 existing school districts with another 4 under construction, and Fatbeam will be moving into Wyoming and Oregon in the near future. All 15 school districts in which Fatbeam has or is in the process of constructing fiber based Wide Area Networks (WAN) networks are benefiting from the E-Rate program.

**Examples of how 3 school districts benefited from the E Rate competitive bidding process w/Fatbeam**

**Yakima, Washington – Population 91,067**

- Bandwidth speeds increased 20x's from 1Gigabit "Shared" to 20 Gigabit "Dedicated"
- School District *saved \$92,940 annually or \$650,580 over the contract term*
- School District was able to install 1600 HD cameras with the increased bandwidth and deliver greater security for its students

**Butte, Montana – Population 33,223**

- Bandwidth speeds doubled from 1 Gigabit "Shared" to 2 Gigabit "Dedicated"
- School District *saved \$240,480 annually or \$2.4M over the contract term*

**Post Falls, Idaho – Population 25,574**

- Bandwidth speeds increased from 54 megabit to 2 Gigabit
- Reliability increased significantly as fiber optic is far more reliable than the former school districts owned wireless un-licensed system

**Maintain a Competitively Neutral Program**

- Fatbeam believes that in the competitive bidding process, all bidders should be treated equally and the competitive process helps drive down the costs for service to schools and libraries.

Related to this, the competitive bidding process it should include additional lead-time needed for all possible bidders to offer alternative solutions. As an example, Spokane Public Schools provided a request for dark fiber services in April of 2013 that needed to be completed and installed at over 50 locations by July of 2013. In this particular case, only one large carrier who provides dark fiber services responded to the request with no other competitive proposals. The fact that it is not possible to build a competitive network in this time frame and with no other dark fiber networks available to bid, this adversely drives costs up with no competitive bidding process or timeline. However with a little more lead-time, smaller competitors can offer alternatives at competitive prices, driving prices down for the Fund as a whole as Fatbeam has demonstrated over its history. Butte School District in Montana (example above) is a perfect example of how overlapping carriers helped the district drive down its costs. The district at its

own cost funded a 3-month overlap of services such that Fatbeam would have enough time to build a new network that saved the district over \$240,000 annually.

Furthermore, it is possible that under the current bidding process E-Rate funding is actually discouraging more robust and higher bandwidth solutions in the marketplace. While that certainly is not the intent, it is difficult to create any significant increase in bandwidth speeds and cost savings with a timeline to respond and deliver service in a couple of months. Fatbeam suggests a period of 6 months of overlap in funding (for both providers) from the time of acceptance/contract to customer turn up.

#### **Administration Transparency**

- Fatbeam strongly urges that there be more transparency in the complaint process that results in holds for funding. The current USAC practice of cutting off funding where one whistleblower complaint is filed with no information to the provider on the status of complaints and the process is problematic. This is a business risk that is too high for smaller competitors, especially for those building fiber, as it is capital intensive.

Fatbeam proposes a process wherein there is more transparency to the provider about the hold, an opportunity to address the issue, and a specific timeframe for the hold to be resolved. Fatbeam believes that a transparent process with a definitive timeframe should be implemented. The timeframe should be abbreviated as much as possible given the significant disruption for build projects. Moreover, smaller companies, like Fatbeam, cannot afford the uncertainty of non-payment from USAC; and holds should not be permitted for unsubstantiated complaints.

#### **Program Funding**

- Evaluation of Non-Recurring Charge (NRC) also known as an installation fee: Under the terms of E-Rate when delivering “dark fiber”, a service provider can only charge the lateral build from the fiber network when it enters the school district or library property. What is not taken into account with this process is that it may in fact cost a service provider the construction of 5 or more miles to reach the property line of the school or library. Thereby, costs for construction could run into the hundreds of thousands or more. Fatbeam supports a structure in which service providers can recover additional capital investment for extending broadband services. Fatbeam also believes that there would likely be more fiber builds if the Fund picked up more of the initial construction costs for fiber and treated lit and dark fiber networks the same.

#### **Eligible Services**

- Fatbeam strongly supports the continued eligibility of dark fiber services. Dark fiber enables a school district to increase its bandwidth connectivity with no additional transport costs.